



# PRESS RELEASE

## House National Security Committee

### Floyd D. Spence, Chairman

**FOR IMMEDIATE RELEASE**

June 4, 1997

CONTACT: Maureen Cragin

Ryan Vaart

(202) 225-2539

#### **MONITORING EXPORTS TO HONG KONG CRITICAL FOR NATIONAL SECURITY, NONPROLIFERATION REASONS**

The General Accounting Office (GAO) today released a report confirming national security concerns raised by U.S. Reps. Floyd Spence (R-SC) and Ben Gilman (R-NY), Chairmen of the House National Security and International Relations Committees, over the export of sensitive technologies to Hong Kong after its reversion to Chinese control on July 1.

The report, *Hong Kong's Reversion To China: Effective Monitoring Critical to Assess U.S. Non-proliferation Risks* (GAO/NSIAD-97-149), raises questions concerning Hong Kong's ability to protect sensitive U.S. technologies from misappropriation by China.

"While I accept the premise that the United States should attempt to treat Hong Kong as a separate entity after its reversion to China," said Spence, "I am not entirely convinced that China will respect Hong Kong's autonomy and seriously question whether Hong Kong will be able to prevent the diversion of U.S. export-controlled technology to the Chinese. China has consistently demonstrated a willingness to divert U.S. technology to unauthorized uses as well as intent to continue the proliferation of dangerous weapons and technologies to the developing world."

Under U.S. government controls, exports of a number of sensitive dual-use items to China have been denied. However, exports to Hong Kong of the same items are permitted without U.S. government review. Further complicating export policies, the United States-Hong Kong Policy Act of 1992 (P.L. 102-383) requires the U.S. government to continue to treat Hong Kong as a separate entity after its reversion to China, therefore allowing items currently restricted from export to China to continue to be authorized for export to Hong Kong without review by the U.S. government.

GAO recommends that the U.S. government improve its ability to monitor controlled items exported to Hong Kong in order to determine if the amount of controlled exports significantly increases after Hong Kong's reversion to Chinese control.

In addition to improving the monitoring of controlled items exported to Hong Kong, Spence suggested that the U.S. should also institute a uniform process of pre-license checks to determine the legitimacy of proposed end-users of U.S. exports to Hong Kong, and post shipment verifications to verify that the items have not

been diverted. These procedures have been routinely followed by U.S. government personnel in Hong Kong, but, according to GAO, China has refused to allow U.S. government officials to conduct post-shipment verifications in China.

“It is imperative that the United States initiate a rigorous monitoring effort in preparation for the July 1 reversion of Hong Kong,” said Spence. “If U.S. officials are denied the ability to conduct these monitoring procedures in Hong Kong after reversion, I believe that the President will have little choice but to conclude that Hong Kong is no longer sufficiently autonomous, and that the United States will have to treat Hong Kong in the same manner as China for the purposes of export controls. To do less would be to ignore a history of Chinese technology diversion and proliferation.”

Copies of the report are available from GAO.